

EXECUTIVE SECRETARIAT

ROUTING SLIP

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI				
2	DDCI				
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8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/Pers				
14	D/OLL				
15	D/PAO				
16	SA/IA				
17	AO/DCI				
18	C/IPD/OIS				
19	NIO /ECON		X		
20	D/OGI		X		
21	ES (L300B)		X		
22					
SUSPENSE		Date			

Remarks

Executive Secretary
25 Sep 85

Date

3637 (10-81)

STAT

Executive Registry

65- 3591

THE WHITE HOUSE
WASHINGTON

CABINET AFFAIRS STAFFING MEMORANDUM

Date: 9/25/85 Number: 317000CA Due By: Trade Assistance

Subject: Economic Policy Council Meeting -- September 26, 1985

8:45 A.M. -- Roosevelt Room

ALL CABINET MEMBERS	Action	FYI		Action	FYI
Vice President	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CEA	<input checked="" type="checkbox"/>	<input type="checkbox"/>
State	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CEQ	<input type="checkbox"/>	<input type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OSTP	<input type="checkbox"/>	<input type="checkbox"/>
Defense	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Justice	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Interior	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Agriculture	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Commerce	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Labor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	McFarlane	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HHS	<input type="checkbox"/>	<input type="checkbox"/>	Svahn	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HUD	<input type="checkbox"/>	<input type="checkbox"/>	Chew (For WH Staffing)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Energy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Hick's	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Chief of Staff	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
UN	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
USTR	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
GSA	<input type="checkbox"/>	<input type="checkbox"/>	Executive Secretary for:		
EPA	<input type="checkbox"/>	<input type="checkbox"/>	DPC	<input type="checkbox"/>	<input checked="" type="checkbox"/>
NASA	<input type="checkbox"/>	<input type="checkbox"/>	EPC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
OPM	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
VA	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
SBA	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

The Economic Policy Council will meet tomorrow at 8:45 A.M. in the Roosevelt Room.

The background paper for the first agenda item is attached. The agenda and background paper for the second agenda item were distributed to you yesterday.

RETURN TO:

☒ Alfred H. Kingon
Cabinet Secretary
456-2823
(Ground Floor, West Wing)

☐ Don Clarey
☐ Rick Davis
☐ Ed Stucky

Associate Director
Office of Cabinet Affairs

THE WHITE HOUSE

WASHINGTON

Executive Registry

85- 3591

September 25, 1985

MEMORANDUM FOR THE ECONOMIC POLICY COUNCIL

FROM: EUGENE J. McALLISTER *EM*

SUBJECT: Additional Paper for the September 26 Meeting

The first agenda item for the September 26 meeting of the Economic Policy Council is trade adjustment assistance. A paper prepared by the Working Group on Labor Adjustment describing the issue -- whether to continue our current policy of opposing reauthorization of the trade adjustment assistance program -- and offering a series of options should the Economic Policy Council choose to change current policy is attached.

The agenda and paper for the second agenda item, overall trade negotiating strategy, were distributed earlier.

Attachment

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

September 25, 1985

MEMORANDUM FOR THE ECONOMIC POLICY COUNCIL

FROM: THE WORKING GROUP ON LABOR ADJUSTMENT

SUBJECT: Trade Adjustment Assistance

The Trade Adjustment Assistance (TAA) program is scheduled to expire September 30, 1985, and the Congress is considering legislation that would extend and modify the program. The Administration needs to decide several issues: (1) whether it should support or continue opposing TAA; and (2) if the Administration supports TAA extension, whether it should change the financing and administration of the program.

BACKGROUND

The Trade Adjustment Assistance program under the Trade Act of 1974 is designed to provide assistance to workers displaced by imports in adjusting to new jobs. The current program provides up to 52 weeks of extended UI benefits plus subsidies for training, job search, etc. Eligible participants are those laid off from companies which the layoff has been certified by the Department of Labor as having been trade related. Historically, the Administration has opposed this program because of high cost and uncertain success in ensuring work readjustment.

CURRENT STATUS

It appears certain that the Congress will pass some legislation extending TAA. Not only is there pressure to pass legislation assisting workers losing their jobs because of imports, the trade committees face particular pressure to provide such assistance because they must act on tariff reductions.

The House Ways and Means Committee reported on July 31 legislation that would extend TAA for 4 years and expand eligibility to workers displaced by movement of production overseas. The Senate Finance Committee marked up on September 20 legislation that would extend TAA for 6 years, make training an entitlement, extend coverage significantly to include secondary suppliers of parts and services, and finance the program by establishing a new fee of up to 1 percent on all imports, which would generate up to about \$3 billion annually.

The first concurrent budget resolution assumes that TAA will be extended unchanged for three years beyond its September 30, 1985, expiration date and be financed at about \$100 million annually.

Finally, the proposed continuing resolution extends the current TAA until November 15th.

POLICY OPTIONS

There are two broad issues that need to be addressed sequentially:

1. Should the Administration support or continue opposing TAA extension?

Option A: Continue opposing TAA extension.

Pro: Consistent with Administration position opposing extension.

Con: Will not prevent extension of TAA in undesirable form by Congress.

Option B: Support TAA extension.

Pro: This approach could (a) enhance the Administration's ability to influence legislation by more directly targeting of TAA on workers displaced by imports, (b) limit the cost of any program enacted, and (c) obtain credit for the Administration for supporting a program that will, in all likelihood, be extended.

Con: Presents opportunity for Congress to go beyond simple extension and increase program costs above current \$60 million level.

2. If the Administration decides to support TAA extension, it needs to address two subissues: financing and administration.

- o Should TAA be financed by general revenues, a special import fee, or increases in Title III of JTPA?

Option A: Continue financing TAA by general revenues.

Pro: Ensures serving all trade impacted workers who become eligible for TAA.

Con: While general revenue would normally be the most straightforward method, this approach will contribute to the deficit.

Option B: Finance TAA through an import fee equivalent to 0.25 percent of the value of all imports, which would yield about \$800 million annually.

Pro: Supporting an import fee of 0.25 percent could discourage the Congress from passing an import fee of 1 percent.

Con:

- o Acceptance of import fee opens the door for Congress to seek larger amounts.
- o Import fee is not consistent with our GATT international obligations.
- o Possible retaliatory reaction from our trading partners.

Option C: Increase Title III of JTPA by \$100 million and oppose TAA extension.

Pro: Title III program is in place and already providing adjustment services to dislocated workers.

Con: Contrary to Congressional intent of the proper mechanism for providing trade adjustment assistance to trade impacted workers.

o Should TAA administration be amended?

Option A: Continue administering TAA in its current form.

Pro: This approach limits the size and cost of an admittedly ineffective program. The proposed changes in TAA administration would make training an entitlement and thus could dramatically expand program costs.

Con: Will not be viewed as productive by the Congress.

Option B: Propose amending TAA program to ensure more positive incentives for worker readjustment and more efficient administration.

Pro:

- o Proposing these changes would further demonstrate the Administration's commitment to assist workers displaced by imports.

- o Allows the Administration to convert the program from one of long-term nonproductive benefit payments to one of incentives for more immediate return to work or training.

Con: OMB fears that new benefits and government activity under TAA will be costly to administer and will entrench TAA entitlements.

LEGISLATIVE PROPOSALS ON TRADE ADJUSTMENT ASSISTANCE

There are several proposals affecting the Trade Adjustment Assistance (TAA) program currently pending in Congress. This paper gives an overview of the proposals and costs when available.

I. EXTENSION OF EXISTING TAA -- CONTINUING RESOLUTION

The existing TAA program is scheduled to expire on September 30.

The Continuing Resolution, as passed by the House, would extend the existing TAA program until November 15. The Senate is expected vote on its Continuing Resolution, which contains the same extension, on September 25 or 26.

In sum, the existing TAA program will be extended by the Continuing Resolution until November 15.

II. NEW TAA PROPOSALS - HOUSE AND SENATE BUDGET RECONCILIATION PACKAGES

Expanded and extended TAA programs are pending floor action in the House and Senate as part of their respective Budget Reconciliation packages.

Senate Proposal:

The Senate Finance Committee adopted S. 1544, the six year, Roth-Moynihan Trade Adjustment Assistance Reform Act, as part of the Deficit Reduction package on September 20. As reported out, the bill extends the current TAA program for two years, with only one change. (Loans and loan guarantees to firms would immediately be eliminated.). At the end of this period, a new, expanded program, financed by an import surcharge, goes into effect for four years.

Reforms included in the new, expanded program are:

- A requirement that workers be enrolled in retraining programs to qualify for cash benefits, unless the Secretary of Labor confirms no program is available.
- Creation of vouchers worth up to \$4,000 for use in retraining.
- Elimination of loans and loan guarantees to firms.
- Creation of an import surcharge, capped at one percent, but expected to be considerably lower, to fund the program.
- Expansion of the program to include firms and workers that supply components to import-impacted companies.

Floor action on the Senate package is expected before November 1.

Senate Cost Estimates:

The Congressional Budget Office informally projects the cost of the Senate proposal to be between \$110 and \$150 million per year for the six year program.

These estimates do not include the provisions to fund secondary suppliers or to allow payments to workers not in training programs, both of which were added during Committee mark-up. Both are expected to significantly expand the costs. Payments to supplier firms alone could add as much as \$66 million to each year's total after 1987.

Surcharge Projections:

The Roth-Moynihan proposal would collect an import surcharge for five years, but fund the program for only four.

Using an average of import projections from 1987 to 1991 of \$550 billion, as an example, the below import surcharges produce the following revenues:

.25 percent	-	\$1,375 million
.10 percent	-	\$ 550 million
.035 percent	-	\$ 193 million
.020 percent	-	\$ 110 million

House Proposal:

As part of the House Budget Reconciliation package, the Ways and Means Committee adopted H.R. 1928, sponsored by Congressman Pease, which would extend the current program for four years with some modifications.

Reforms to the current TAA program include:

- Extension of coverage to workers laid off or threatened with layoff due to relocation of a firm overseas, regardless of whether or not there are increased imports.
- Providing a two year period following exhaustion of regular unemployment insurance for workers to collect their basic TAA benefits.
- Liberalization of prior employment requirements.
- Liberalization of eligibility for firms, whose main product line is injured by imports.